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SUBJECT: FMLN ANNOUNCES PROPOSALS TO ADDRESS FOOD CRISIS

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¶1. (SBU) Summary. The leftist opposition FLMN presented a \$450 million legislative package on July 9 to address the food crisis in El Salvador. Their proposals claim to promote increased agricultural production, return unproductive land to use, provide subsidies to the poor, redefine social programs, and increase coordination with municipalities. High food prices will be a major election issue, and the FMLN wanted to get its proposals out ahead of the Government's. Post will report on upcoming Government proposals septel. End Summary.

¶2. (U) On July 9, FMLN General Coordinator Medardo Gonzalez and Vice Presidential Candidate Salvador Sanchez Ceren presented the FMLN's policy package to address the "food crisis" in El Salvador. Panelists included FMLN deputies Salvador Arias and Blanca Noemi Coto, and FMLN alternate deputies Karina Sosa de Lara, Audelia Guadalupe Lopez de Kleutgens, and Ana Guadalupe Erazo. FMLN Presidential Candidate Mauricio Funes did not attend.
The Plan

¶3. (U) The FMLN package included four main proposals: increasing production and availability of food, improving the ability to afford food, confronting the situation of the most poor and vulnerable, and enhancing government coordination. The total package would cost an estimated \$450 million. The FMLN deputies stated that they were willing to work with the government to finance these proposals. (NOTE: El Salvador requires a super-majority vote to take on new debt, including loans from international financial institutions. The FMLN has for the last two years opposed any new debt. END NOTE.)

¶4. (U) Gonzales said the proposal was also presented to the government's 29-member multidisciplinary commission on how to face the food crisis. The commission is expected to present its recommendations next week. So far, Gonzalez said, they have not received an answer from the commission. (NOTE. The FLMN refused President Sacas's invitation to join the commission in April, stating that the government would not take the commission's recommendations seriously. END NOTE.)

¶5. (U) In opening remarks, Gonzalez stated that rising food prices were not just a result of a "perfect storm" of higher global demand and rising oil prices (a phrase used by President Sacas). Rather, the global factors "were exacerbated by 15 years of failed ARENA agricultural policies." Gonzalez stated that consumption of milk was down 10% and consumption of eggs, the "fundamental protein" of the Salvadoran diet, was down 15%, and poorest communities were being hardest hit. He also attacked production of corn-based ethanol for driving up corn prices. (NOTE: El Salvador does produce

some ethanol, but it is derived from sugar, not corn. END NOTE.)

¶6. (U) INCREASING PRODUCTION: According to Sanchez Ceren, the FMLN's ultimate goal is self-sufficiency in basic agricultural production. To achieve this, the FMLN would create or expand programs to provide credit, seeds, storage capacity, and technical assistance to farmers, including strengthening the National Center of Agricultural and Forestry Technology (CENTA). Additional programs would specifically target women working in agriculture. The FMLN would also work to return "400,000-500,000 acres" of unused or underused land to full agricultural production. This land is currently owned mostly by various cooperatives that received the land during the agrarian reform of the 1980's. The FMLN, however, opposes an ARENA-backed Leasing Law that would promote the use of unproductive land by larger producers. They would rather the land go to small agricultural producers.

¶7. (U) AFFORDING FOOD: Under the FMLN proposal, food in the "basic basket" (e.g., rice, beans) would be exempt from value-added taxes (VAT). Also, persons making a salary less than twice the urban minimum wage (or about \$384 per month) would receive a 10% raise. The FMLN would strengthen the Consumer Defense Office and Superintendent of Competition to go after "speculators." According to their plan, the proposed increase in agricultural production would also create more jobs, reducing unemployment and "underemployment."

¶8. (U) PROTECTING VULNERABLE POPULATIONS: In the FMLN's proposal, Red Solidaria, the current ARENA government's social program, would be redefined as part of a broader national development program. The new Red Solidaria would feature more coordination with local

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municipalities and international non-governmental organizations. The budget for the Municipalities Social and Economic Development Fund (FODES) would also be increased by 2 percentage points, to 9% of the state's net current revenues.

¶9. (U) INCREASING COORDINATION: The FMLN proposes creating a "new mechanism" for coordination between the national government, the municipalities, and non-governmental organizations on food security. They would work closely with the United Nations Development Program (UNDP) to implement this new mechanism.

Comment

¶10. (SBU) Notwithstanding the worldwide impact of high food prices, escalating food prices have the potential to be a winning issue for the FMLN in the 2009 election campaigns, especially if the FMLN can place the blame on the Saca Administration instead of external global factors. The FMLN package lacks specifics, especially on funding allocations. Some components, such as increased storage capacity, are similar to existing government proposals (reftel). Other proposals, like eliminating the VAT on food and providing subsidies to the poor, are likely to prove popular, even though they would actually provide little economic relief since many Salvadorans purchase food from informal vendors where VAT is usually not collected.

¶11. (SBU) Both the Government and the FMLN have advocated food self-sufficiency, albeit through some different methods. Notably absent from the FMLN's proposal is any kind of market incentive. At present, there is certainly room for improvement in both crop storage facilities and improving crop yields, which should and are getting more attention from the GOES. The risk in shifting too much focus to agriculture is that returning to a commodity-driven agricultural-based economy would be a serious step backwards, especially given El Salvador's comparative lack of good agricultural land and resources. The future of El Salvador's economy is in the services and logistics areas where it has been slowly moving under CAFTA-DR and other development policies, not in a return to the historically dominant agricultural commodity culture. END COMMENT.

Glazer